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RUEHAK/AMEMBASSY ANKARA IMMEDIATE 3342

RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 1378

RUEHBR/AMEMBASSY BRASILIA IMMEDIATE 0600

RUEHEG/AMEMBASSY CAIRO IMMEDIATE 0444

RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 0927

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RUEHMD/AMEMBASSY MADRID IMMEDIATE 1952

RUEHME/AMEMBASSY MEXICO IMMEDIATE 0582

RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 4590

RUEHNE/AMEMBASSY NEW DELHI IMMEDIATE 0863

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RUEHTRO/AMEMBASSY TRIPOLI IMMEDIATE

RUEHROV/AMEMBASSY VATICAN IMMEDIATE 0891

RUEHMIL/AMCONSUL MILAN IMMEDIATE 0108

RUEHNP/AMCONSUL NAPLES IMMEDIATE 3880

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SUBJECT: SCENESETTER FOR THE PRESIDENT'S PARTICIPATION IN
THE G8 L'AQUILA SUMMIT, JULY 8-10

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Classified By: Charge d'Affaires Elizabeth Dibble for Reason 1.4 (b)
and (d)

Mr. President, welcome to L'Aquila.

¶1. (C) BEGIN SUMMARY: This G8 Summit in L'Aquila is the culmination of a busy year for the Italian G8 Presidency. Prime Minister Berlusconi is very pleased to host this event, to host you, and to demonstrate his role as elder statesman of the G8 "club." In Italy, all eyes will be on Berlusconi and how he handles this summit, which comes while the Italian and foreign press are full of lurid allegations involving his personal life. With members of Berlusconi's party fearing that new allegations will come out before or during the summit, the Prime Minister is hoping to use the event to demonstrate that he is respected internationally.

¶2. (C) Italy has fielded an overly-ambitious G8 agenda in 2009, addressing global financial stability (while acknowledging G20 primacy in this area), sustainable development (particularly with regard to Africa), climate, energy security, Afghanistan/Pakistan, non-proliferation, piracy, food security and global trade. Forging a consensus on these issues has been a painstaking process but Italy has done its best to channel its unwieldy ambitions into an outcome that is acceptable to its G8 partners and which lays the groundwork for effective future action. That said, a proliferation of issues and an ever-expanding roster of invitees has characterized the Italian effort, detracting from the cohesiveness of the event, and perhaps from the Italians' ultimate goal of ensuring that the G8 remain relevant. END SUMMARY.

¶3. (C) Mr. President, welcome to the G8 Summit in L'Aquila.

PM Berlusconi has been looking forward for months to playing host to his third G8 Summit. He is also looking forward to seeing you again after your very positive June 15 meeting in Washington. The Summit was originally scheduled to take place on the island of La Maddalena, off the coast of Sardinia, and construction on the Summit venue was well underway when in April 2009 Berlusconi announced that the Summit would be moved to L'Aquila, site of the April 6, 2009 earthquake that killed 298 and left 65,000 displaced.

Berlusconi's rationale was that the event would bring much-needed revenue to the stricken area and impart to the Summit a ""sober"" tone more in tune with the current austere economic times than the resort-studded coastline of Sardinia.

L'Aquila, a beautiful medieval city nestled in the heart of the Appenine Mountains, is still recovering from the April 6 quake. Many residents are still living in tents and historic buildings in the downtown core are held together by steel bands as crews work around the clock to rebuild.

President Berlusconi's Political Fortunes

¶ 14. (C) PM Silvio Berlusconi is currently embroiled in scandals concerning his private life, including allegations of improper sexual relationships. In turn, Berlusconi has aggressively gone on the offensive, blaming this situation on a plot orchestrated by international and domestic enemies in an effort to smear his name prior to the G8 Summit.

Historically, Berlusconi's many domestic opponents have chosen to launch their ""attacks"" during high-profile international conferences being held in Italy: in 1994, at the Naples UN ministerial on transnational crime, Berlusconi was charged with corrupting the Italian financial police; in 2001, Milan judges charged him with tax fraud shortly before he hosted the G8 in Genoa (he was not convicted of either charge). Now press and political circles in Rome are buzzing with potential new dramatic revelations. Traditionally the Italian electorate has been disinterested in international attitudes towards Italy's leaders, and has been unmoved by peccadilloes in the personal lives of its politicians.

However, the salaciousness of the charges against Berlusconi, and the growing impression that he is not taken seriously abroad has heightened the importance of this summit for the Prime Minister. He almost certainly sees it as an opportunity to recover his public persona abroad, while dramatically demonstrating his role as an international statesman at home. Given the intense importance that this G8 summit has now taken for domestic politics, any Berlusconi gaffes or perceived snubs by other world leaders will receive tremendous attention by the Italian media.

The Economy

¶ 15. (C) Berlusconi is vulnerable to being seen by the public as failing to step up to the real economic problems confronting Italy. The global economic crisis may be getting ready to bite harder here - some observers are predicting a ""double dip"" recession. Savings are already being run down, credit is both more expensive and increasingly harder to obtain and unemployment continues to tick upward. Italy's economic growth rate -- which was relatively low even before the crisis -- has dropped precipitously owing to sharp contractions in its export markets and falling domestic demand. Unemployment is expected to exceed eight percent this year and to rise further in 2010. Government tax revenues are, not unexpectedly, off sharply. Italy's already high level of government debt and the debt ceilings that come with euro membership significantly limit the government's ability to provide fiscal stimulus for the economy.

The Summit

¶ 16. (C) This G8 Summit is the culmination of a busy year for

the Italian G8 Presidency. Italy will host a record nine G8 Ministerial Meetings this year throughout Italy, and will have hosted over 80 G8 Sherpa, Sous-Sherpa, Political Director and Working Group meetings by the time the L'Aquila Summit begins.

¶7. (C) While as of June 26, the final agenda was still being worked out, Italian G8 Sherpa, MFA Secretary General Giampiero Massolo, publicly touted the G8's main priorities this week as ""promoting the global agenda"" (defined as the ""global standard"" and a ""detax proposal"") and ""demonstrating that the G8 still makes sense."" The reality is that efforts to refine the agenda and offer a clear focus are coming late: Italy's Presidency has been characterized by a proliferation of themes, the sheer number of which has diluted the clarity of any eventual G8 message. This failure to focus their G8 message may have been due in part to Italy's internal disorganization throughout the process, and desire to cover the waterfront on possible issues of global relevance. While the Italians had earlier hopes of ""deliverables"" (e.g., anti-piracy) that have run into immovable objections, it seems they do not at this point have substantial objectives on G8 issues, and have viewed their role as principally to shepherd discussions to agreement.

¶8. (C) The proliferation of themes has been matched by an ever-expanding number of invitees. In keeping with recent G8 practice, in addition to the G8 and the EU, Italy is inviting to the Summit the ""Outreach 5"" countries of the ""Heiligendamm Process"" (China, India, Brazil, Mexico and South Africa), the countries participating in the Major Economies Forum (MEF) on Energy and Climate (G8 Outreach 5 South Korea, Australia and Indonesia) and the African countries of the NEPAD group (New Partnership for African Development -- Libya, Egypt, Algeria, Senegal, Nigeria and Ethiopia). In addition, Italy has invited Egypt to the Outreach 5 session, Denmark to the MEF Session (in its capacity as host of the December 2009 UN Climate Change Conference) as well as Spain and the Netherlands, making this the biggest G8 Summit ever and surpassing the G20 in size.

¶9. (C) Many G8 partners have been critical of the size and scope of this G8, as well as of Italy's occasional preference for form over substance and its at times lackadaisical approach to crafting G8 statements. Italy's ambitious agenda may have been driven in part by its fear that the G8 would become irrelevant on Italy's watch. French President Sarkozy's public questioning of the G8's relevance and UK PM Gordon Brown's successful bid to make the G20 the premier leaders' forum for addressing the global economic crisis have contributed to this concern, and have spurred Italy to expand G8 ""outreach"" to make it more inclusive and thematically wide-ranging. This tendency has its drawbacks and its benefits -- Italy has been very open to U.S. efforts to highlight the importance of the Major Economies Forum this year, for instance, even though to do so may steal the spotlight from the G8 sessions.

Comment

¶10. (C) This year's G8 Summit has evolved via something of a ""bottom up"" approach due to lack of focused leadership from the top. The chaotic development of various themes has resulted from the at-times competing interest of key political players and Ministers, each seeking to make a splash via an important, but often ill-prepared, initiative. As the event approaches, PM Berlusconi is fully engaged, viewing the summit as an opportunity to show himself a statesman and showcase Italy. Italian officials from the outset and throughout planning for the event have been eager to accommodate and support USG priorities, wishing to be in lockstep with our policies wherever possible. PM Berlusconi returned elated from his meeting with you in Washington, and there was a collective sigh of relief across the board that warm relations with the US were intact despite the change of

administration. Your visit has special meaning to the Italian government and public, and Italian officials will work with you and your staff to make this event a success.

¶11. MINIMIZE CONSIDERED

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